DOCUMENT RESUME

ED 357 237 CE 063 641

TITLE Learning To Compete.
INSTITUTION National Advisory Commission on Work-Based Learning (DOL), Washington, DC.
PUB DATE Mar 93
NOTE 49p.
PUB TYPE Viewpoints (Opinion/Position Papers, Essays, etc.) (120)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Change Strategies; Competition; Cultural Pluralism; Educational Cooperation; *Experiential Learning; Federal Programs; *Government Role; *Job Skills; *Labor Force Development; Personnel Management; Policy Formation; Productivity; Program Improvement; *Public Policy; Skill Development
IDENTIFIERS *Department of Labor; *Total Quality Management

ABSTRACT

The National Advisory Commission on Work-Based Learning worked to identify practical steps that the Labor Department could take to help increase the skill levels of the U.S. work force and expand work-based training. The findings gained from a series of roundtables and further studies were synthesized into a set of recommendations in five major areas: policy leadership, leadership by example, skill standards, benchmarks for human resource development systems, and incentives for change. The Commission suggested that the Labor Department take several steps to improve the situation, including the following: (1) adopt a proposed policy statement to be issued by the White House in support of Total Quality and Managing Diversity as two critical components of productivity and competitiveness; (2) work closely with progressive and innovative voices in the business and labor communities to build support for Total Quality and Managing Diversity; (3) increase emphasis on human resource development and workplace reform; (4) conduct an independent audit of the Labor Department to identify the main barriers to implementing Total Quality and Managing Diversity; (5) work to ensure that proposed skill standards legislation supports rather than preempts existing voluntary demonstration efforts; and (6) help states integrate technology diffusion training, diversity, and labor-management relations. (MN)

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NATIONAL ADVISORY COMMISSION ON WORK-BASED LEARNING
MARCH 1993

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LEARNING TO COMPETE

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MARCH 1993

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PREFACE

The National Advisory Commission on Work-Based Learning completed its second year of work in January 1993. This report summarizes the findings of the Commission to date and outlines next steps for Labor Department action.

In the spirit of continuous improvement, we have delivered a series of recommendations to the Secretary of Labor. Our first installment in September 1991 identified six critical areas for attention, based on site visits and roundtable discussions with national experts conducted during the preceding summer. The second and third installments in April and July 1992 proposed specific steps for Labor Department action in each of the six areas, based on another series of roundtables and further study. Taken together, those recommendations offer a proactive, customer-focused agenda for Labor Department action on a broad front.

We have attempted to identify practical steps for Labor Department action and to work closely with the Department to implement those action steps. We have not looked for "big-bang" solutions, but instead we have sought ways to expand and improve on grass-roots initiatives with proven success. Finally, acknowledging that there was much we could learn from others, we have observed how the most successful companies and programs are approaching human resource issues, and have tapped into or created networks of experts and practitioners to help identify opportunities and priorities for Labor Department action.

We recognize that our proposals require a "sea change" in the role of the Labor Department. Yet, we are convinced that new priorities and new strategies are essential if the Labor Department is to provide effective leadership to the common efforts of American employers and employees to boost productivity and raise living standards.

Jack MacAllister
Chair

EXECUTIVE SUMMARY

The National Advisory Commission on Work-Based Learning was established in January 1991 to advise the Secretary of Labor on "ways to increase the skill levels of the American workforce and to expand work-based training." Almost immediately, we were confronted with the questions "which skills?" and "what kind of training?" We concluded that the answers depend on whether companies, and the nation, choose to preserve traditional systems that focus on driving down costs, or adopt Total Quality (or High Performance Work) systems that focus on driving up quality, variety, speed, and customer service.

We found that skill requirements vary significantly between traditional and Total Quality systems. Both systems require literate and technically proficient employees, but in Total Quality companies, employees at all levels also must be able to perform a number of different jobs, manage technologies, work cooperatively in diverse work teams, understand the systems in which they operate, communicate ideas for improvement, make decisions, and take responsibility for their implementation.

We also found that the learning process varies considerably between traditional and Total Quality systems. Both systems rely on formal and informal training to raise skill levels, but in Total Quality systems, continuous improvement is the main process through which employees increase their skills and knowledge. The role of training in Total Quality companies is to improve the capacity of employees to solve work-related problems and continuously improve products and work processes. The goal in these companies is to transform the entire organization into a learning enterprise. The process of continuous improvement provides both the motivation to learn and the structure in which that learning takes place. Continuous work-based learning channels the knowledge, skills, and creativity of employees into ever-higher levels of quality in products and services.

This continuous and applied process of work-based learning, the engine of growth in Total Quality companies, gives them a competitive advantage over companies organized along traditional lines. By fully developing every employee's knowledge, skills, and creativity, Total Quality companies are

able to tap into the productivity potential that lies dormant in the current workforce. By valuing differences in background, ideas, and perspective, Total Quality companies pave the way for a diverse workforce to learn, grow, and contribute, increasing the opportunity for better solutions to problems.

We believe that tapping the full potential of human and technological resources through work-based learning is the key to maintaining American competitiveness. While other nations are making a determined effort to exploit this potential in their own workforces, the diversity of the American workforce represents a unique asset in global competition. Through the promotion of Total Quality, the active management of diversity, and expansion of training to support these efforts, the nation can achieve continual improvements in productivity and living standards for all Americans. Our proposed Action Plan is designed to help the Labor Department to move quickly and effectively to meet this challenge.

FINDINGS

FINDINGS

Over the past decade, there has been growing appreciation of the relationship between a skilled workforce and economic competitiveness. As a result, ambitious efforts are now under way to reform the public education system, to facilitate the transition from school to work for individuals who are not college bound, and to speed the reentry of dislocated workers back into the workforce. Up to this point, however, there has been relatively little focus on the current workforce — those 128 million Americans on the job today who will be the decisive factor in maintaining the nation's economic competitiveness for at least the next decade. Recognizing the need for greater national focus in this area, the Secretary of Labor established the National Advisory Commission on Work-Based Learning in January 1991 to advise her on "ways to increase the skill levels of the American workforce and to expand work-based training."

As we began our work, we quickly found that the questions of "which skills?" and "what kind of training?" could only be answered in the context of a broader strategy to raise living standards and boost productivity. We also concluded that higher skills and more training do not necessarily lead to higher productivity growth — a lot depends on how the skills are used and whether training is linked to improving performance. Based on these insights, we broadened our task from "increasing the skills of the American workforce" to also include "finding ways to fully utilize those skills to improve productivity and competitiveness."

During the past two years, we have visited some of the most successful American companies and conducted numerous roundtable discussions with leading experts and practitioners in human resource development. We have concluded that there is a fundamental transformation under way in the American workplace. Under the banner of "Total Quality" or "High Performance Work," a growing number of American companies are discarding old ways of thinking and managing that focus on driving down costs, and replacing them with new ways of thinking and managing that focus on driving up quality, variety, speed, and customer service.

The implementation of Total Quality requires a fundamental shift in how companies develop and utilize human resources. For companies, the choice between preserving traditional systems or adopting Total Quality systems is the decisive factor in determining "which skills?" and "what kind of training?" they require. For the nation, the choice between preserving traditional systems or promoting Total Quality systems will ultimately determine whether jobs and living standards will continue to grow for all Americans.

The Quality Imperative

The movement to Total Quality is more than the latest management fad. It involves profound structural changes in the way companies are managed.

Throughout this century, the American economy has flourished under a system of mass production. Today, the disappointing performance of the American economy is a signal that the mass production system is losing its ability to generate new jobs and high wages. Fundamental changes in technology and markets are stripping away the advantages once enjoyed by American companies. Advances in transportation and communication now make it possible to rapidly move capital, materials, and technologies anywhere in the world. Developing nations can combine low wages with advanced technologies to achieve significant cost advantages in global markets.

High-wage nations like the US can only hope to compete by offering higher quality products and services, which in turn require quality processes and quality people. Even more important, staying competitive requires the continuous improvement of products, processes, and people, since what is state-of-the-art today will be standard across the globe tomorrow, and somebody somewhere in the world is already figuring out how to do it better. The continuous improvement of quality in products, processes, and people is a hallmark of Total Quality.

The shift from mass production to Total Quality is not easy. It requires fundamental changes in thinking and managing. The satisfaction of customers must replace the pleasing of superiors. The involvement of employees in problem solving and decision making must replace command and control from above. The valuing of diversity must replace efforts to get all employees to fit into a prescribed mold. And the

constant improvement of how work is performed must replace strict adherence to standard operating procedures. These characteristics — customer focus, employee involvement, diversity, and continuous improvement — are the key features of Total Quality systems.

The Skills & Competitiveness Link

The movement to Total Quality has profound implications for human resources. To better understand the link between skills and competitiveness, and what the Labor Department could do to strengthen this link, we decided to study some of the companies that have been most successful in implementing Total Quality.

We found that:

- **in Total Quality companies, employees at all levels in the organization are called on to manage the process of change and to re-engineer technology to meet their needs, rather than constantly reacting to changes dictated by new technologies and the front office.** These companies share a fundamental belief that employees are a valuable competitive asset, not just a problem to be managed or a variable cost to be controlled. Their operating assumption is that the growth and success of the company depends on the growth and development of the people who work in it.

- **the key to developing the full potential of each employee is the valuing of diversity among all employees.** By valuing different ideas and perspectives as an asset, Total Quality companies are able to more quickly generate a wide range of innovative approaches to developing, producing, and marketing new products and services.

- **unions and management work in partnership to promote change.** Unions in Total Quality companies are proactive agents of change, sharing responsibility for the success of the business and holding management to its commitment to Total Quality.

- **Total Quality companies make a greater investment in training, and they distribute training opportunities more broadly than companies operating along traditional lines.** These companies consider all employees to be a renewable asset that can be maintained and developed through ongoing training and development.

- **the goal of training is to apply skills and knowledge to solving problems and to continuously improve the way work is performed, leading to greater flexibility, speed, and productivity**. Total Quality companies use training to remove barriers to effective communication, decision making, teamwork, and continuous improvement.

- **the practice of continuous improvement is not only the *product* of a higher skilled workforce, but it is also the main *process* through which employees increase their skills and knowledge**. The practice of continuous improvement provides both the motivation to learn and the structure in which that learning can take place. This cycle of continuous learning and continuous improvement leads to higher commitment and effort on the part of employees and, in turn, ever-higher levels of quality in products and services.[1]

[1]We are indebted to Dr. Jeff Howard and his colleagues at the Efficiency Institute for this insight.

TABLE 1:
The Shift to Total Quality Requires
Substantial Changes in Systems and Culture

TRADITIONAL	TOTAL QUALITY
The needs of the organization or of superiors within the organization dictate strategy	The needs of customers dictate strategy
Decisions are made and carried out through a hierarchical command structure	Decision making is widely diffused throughout the organization to respond quickly to customer needs
Employees from different backgrounds are required to fit into prescribed roles	Differences in background, perspective, and ideas are valued as competitive assets
Employees follow standard operating procedures prescribed by management	Procedures undergo continuous improvement by employees
Innovation is the responsibility of entrepreneurs, engineers, managers, and dedicated R&D staff	Innovation is the responsibility of all employees
Employees are considered operators of technology, which is seen as a replacement for people	Employees are actively involved in designing, managing, and improving technology
Managers "act" and unions "react" in an adversarial relationship	Unions share responsibility for the success of the business, actively supporting and promoting change
Training is viewed as an end in itself	Training is conducted as an integral component of business strategy
Employees with "potential" are rewarded, while employees with "problems" are weeded out	All employees are considered to be a renewable asset with the potential to learn, grow, and contribute

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Stand-Alone Alternatives

The implementation of Total Quality is a difficult, protracted, and comprehensive change process. Many companies are adopting a number of alternative strategies to boost productivity, with limited results.

One such strategy is to improve productivity by replacing people with technology. In a 1990 Grant Thornton survey of mid-sized manufacturing companies, more than two-thirds of the companies acknowledged that they had a productivity problem, but more than half considered the problem to be minor because it was caused by people — and people could be replaced by machines. This strategy has been embraced by a growing number of companies in the last few years, as they have attempted to "downsize" their way to higher productivity.

A recent survey by the American Management Association (AMA) suggests that the benefits of this approach are limited.[2] The AMA surveyed companies that had downsized in the past five years. Although the responding companies cited automating work and improving productivity as reasons for the cutbacks, the companies reported that productivity declined almost as often as it increased. Meanwhile, worker morale dropped in 77 percent of the downsizing companies. Just 2 percent claimed that morale improved. The survey also suggested that this quick fix may be addictive. On average, 63 percent of the companies that downsized in a given year did so again in the following year.

Technology is no panacea for lagging productivity. A growing body of research is concluding that technology introduced into a mass production context — where it is expected to increase managerial control, reduce labor costs, and reduce skill requirements — has only a limited impact on performance.[3]

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[2]American Management Association (AMA), *1992 AMA Survey on Downsizing.* New York: American Management Association, October 1992.

[3]John Paul MacDuffie and John F. Krafcik, "Flexible Production Systems and Manufacturing Performance: The Role of Human Resources and Technology," Paper delivered at Annual Meeting of the Academy of Management, Washington, D.C., August 16, 1989.

On the other hand, technology introduced into a Total Quality context — where it is integrated with a flexible, skilled, and motivated workforce through continuous improvement — contributes more effectively to performance.

Another popular stand-alone strategy involves organizing employees into teams. In the early 1970s, companies began organizing teams or "quality circles" to capture employees' suggestions and to boost morale. The practice became very popular in the early 1980s. By the end of the 1980s, an estimated one-third of the workforce was involved in some type of employee participation experiment. However, the results have been mixed.

Evaluations of employee participation programs offer little evidence that the early experiments, by themselves, have had much impact on productivity, employment security, or the distribution of power within the workplace.[4] Most of the quality circles did not survive the first six months, and less than one-fifth of them survived the first eighteen months. It seems likely that the limited short-term results were insufficient to sustain the commitment of management beyond the initial flurry of enthusiasm.

Within these failures, however, are some important lessons. The research suggests that when employees are organized into teams but are not given any real information or authority to make decisions, they quickly become cynical, and the effort can even have a negative impact on productivity. However, when employees are involved in a meaningful process of problem solving, are given the authority to make improvements, and have some measure of employment security, the teams not only survive, but also have a positive impact on productivity. In short, when teams are implemented as an ad hoc measure, they are doomed to failure. When they are integrated into a cultural change process moving toward more participative management, they can result in substantial improvements in performance. Teams that fall

[4]Brian Usilaner and John Leitch, "From the GAO Survey: 'EI' An Underutilized Resource," *International Productivity Journal*, Fall 1990; Thomas A. Kochan and Robert B. McKersie, "Human Resources, Organizational Governance and Public Policy: Lessons from a Decade of Experimentation," Working Paper, Alfred P. Sloan School of Management, MIT, July 1990.

into the latter category have often provided the nucleus for broader Total Quality initiatives.

Another increasingly popular stand-alone strategy is to provide more training. Responding to the conventional wisdom that higher skills lead to higher productivity, companies have been steadily increasing their training investment over the past few years. Two-thirds of companies surveyed recently by the Wyatt Company report that they have increased training over the past three years.[5] However, two-thirds of the training goes to managers and other college-educated professionals who are responsible for thinking and planning. The main focus of training for the remainder of the workforce is on orientation, literacy, and working in teams.

The critical issue is whether training is tied to performance. Contrary to the conventional wisdom, more training does not necessarily lead to higher productivity. In companies where training is treated as a fringe benefit, the productivity benefits are indirect and limited. Training needs to be applied to making improvements in performance. In fact, if training teaches obsolete skills or reinforces outmoded beliefs and practices, or if it creates expectations that cannot be met, it can even have a negative impact on productivity.

A recent international comparison of automobile plants offers some useful insights.[6] Despite their greater investment in training, the German plants were unable to achieve the same levels of productivity and quality as the American and Japanese plants. Their supply of skills was greater, but there was less demand for these skills because of an overreliance on traditional systems. The study concluded that training by itself is no panacea — the decisive factor in performance is whether companies fully utilize the capabilities of their employees.

[5]The Wyatt Company, *The Wyatt Communications & Training Survey Report.* Chicago: The Wyatt Company, July 1992.

[6]John Paul MacDuffie and John F. Krafcik, "Does the U.S. Underinvest in Human Resources? Determinants of Training in the World Auto Industry," mimeo, Wharton School, University of Pennsylvania, July 1991.

In summary, a stand-alone approach to improving quality in products, processes, or people has only a limited, or even negative, impact on productivity growth. However, when corporate strategies integrate technology, teams, and training, the impact on performance is greater and more enduring. Total Quality provides a framework for this integration, which is difficult to achieve under traditional systems.

A 1991 study of Total Quality companies conducted by the General Accounting Office (GAO) suggests that the advantages of the Total Quality approach are significant.[7] The GAO found that companies adopting Total Quality achieved better employee relations, higher productivity, greater customer satisfaction, increased market share, and improved profitability. However, it took an average of two and a half years to improve performance. The researchers concluded that allowing sufficient time for results to be achieved was as important as getting the process started. The road to Total Quality is neither quick nor easy, but it is certainly worth the journey.

TABLE 2:
Stand-Alone Approaches Have a Limited Impact on Productivity Growth

STAND ALONE	TOTAL QUALITY
New technologies replace people	New technologies are integrated with a flexible, skilled, and motivated workforce actively involved in managing and improving those technologies
Teams and other forms of employee participation are introduced as an ad hoc measure	Employees participate in a meaningful process of problem solving, are given the authority to make improvements, and have some measure of employment security
Training is regarded as an end in itself	Training is applied to making improvements in quality and performance through continuous improvement

[7]United States General Accounting Office, *Management Practices: U.S. Companies Improve Performance Through Quality Efforts.* Washington, D.C.: United States General Accounting Office, May 1991.

The Diversity Link

As a growing number of companies are setting out on the road to Total Quality, they are finding that they must simultaneously transform their organizational cultures to make the most of their new systems. At the core of this cultural change process is a pluralistic approach to managing diversity in the workforce.

Traditionally, promoting diversity in the workplace has been viewed as the fair thing to do. Most affirmative action policies have been based on this assumption. In recent years, as demographic changes have brought greater diversity into the workplace, many companies have adopted the view that diversity is also a problem to be managed. They see the challenge as molding employees from different backgrounds to fit into prescribed roles and to adjust to standard operating procedures. We found that Total Quality companies, however, are adopting a very different approach to diversity. They are moving beyond diversity as a fairness issue or a management problem to valuing diversity in the workforce as a strategic competitive asset.

Based on our discussions with experts in Total Quality and Diversity, we have concluded that:

- **managing Diversity has bottom-line benefits.** By capitalizing on the different perspectives that employees bring with them into the workplace, companies can generate improvements in products and services, work processes, and marketing strategies for a diverse consumer base. Different perspectives also enrich the interaction among members of a work team and increase the opportunity for better solutions to problems. In addition, by viewing differences as an asset, rather than a problem, companies are able to build self-confidence among employees, which translates into greater commitment to the success of the enterprise.

- **the benefits of Managing Diversity are not the result of good intentions, but can be realized only through an active process of organizational development.** Old stereotypes and unproductive behaviors die hard and must be replaced with new thinking and behaviors through active and ongoing training.

- **the goal of Managing Diversity must be to promote pluralism, not assimilation.** When companies value pluralism, they can capitalize on the entrepreneurial talents and creative potential in every employee to continuously improve quality and productivity. Assimilating employees from different cultural and social backgrounds into a prescribed mold limits the range of ideas and perspectives available for solving problems.

- **success in implementing Total Quality requires a belief that all employees have the capacity to learn, grow, and contribute.** If companies fully utilize and continuously develop every employee's knowledge, skills, and creativity, they can tap into the enormous productivity potential that lies dormant in their current workforce.

- **maximizing productivity and competitiveness requires integrating Total Quality and Diversity.** In order for diverse work groups to function effectively in Total Quality systems, the perspective and contributions of each individual must be valued. Continuous improvement, the hallmark of Total Quality, is maximized by ensuring the full involvement of each individual through Managing Diversity.

TABLE 3:
Total Quality Requires a New Approach to Workforce Diversity

TRADITIONAL	TOTAL QUALITY
Diversity is a fairness issue or a management problem	Diversity is a strategic competitive asset
Goal is assimilation	Goal is to promote pluralism
Small cadre of employees have the capacity to learn, grow, and contribute — task is to identify them	All employees have the capacity to learn, grow, and contribute — task is to train them

Work-Based Learning

The successful implementation of Total Quality systems and the effective Managing of Diversity require new answers to the questions "which skills?" and "what kind of training?"

Skill requirements vary significantly between traditional and Total Quality systems. Both traditional and Total Quality systems share the same need for literate and technically proficient employees, but a literate and technically proficient workforce is not sufficient to ensure success in global competition. Total Quality systems require a broader range of skills. In Total Quality companies, employees at all levels in the organization need to be able to perform a number of different jobs, manage technologies, work cooperatively in diverse work teams, understand the systems in which they operate, communicate ideas for improvement, make decisions, and take responsibility for their implementation.

The process for developing employee skills also varies considerably between traditional and Total Quality systems. Both systems rely on a mixture of informal and formal learning, both on and off the job. Total Quality systems, however, put primary emphasis on solving work-related problems and making continuous improvements in products and work processes. This continuous and applied process of work-based learning is the engine of growth in Total Quality companies. The goal in these companies is to transform the entire organization into a learning enterprise. Investments in education and training are closely tied to innovations in technology and work processes. By unleashing and channeling the creative energy of a highly motivated and highly skilled workforce, the process of work-based learning generates continuous improvements in productivity and quality.

We believe that tapping into the full potential of human and technological resources through work-based learning is the key to maintaining American competitiveness. While other nations are making a determined effort to exploit this potential in their own workforces, the United States has an opportunity to be a world leader in this arena. Its diverse workforce represents a source of strength and a unique asset in global competition. Through the promotion of Total Quality systems and the active management of Diversity, the nation can capitalize on the knowledge, skills, and creativity of its diverse workforce to achieve continual improvements in productivity and living standards for all Americans.

ACTION PLAN

ACTION PLAN

The Labor Department has an excellent opportunity to increase skill levels and expand work-based learning by promoting Total Quality and Managing Diversity in the American workplace. To meet this challenge, however, the Labor Department needs to pursue its mission in new ways.

Traditionally, the mission of the Labor Department has been to "foster, promote, and develop the welfare of wage earners in the United States, to improve their working conditions, and to advance their opportunities for profitable employment." It has carried out this mission by promoting equal access to employment for groups outside the economic mainstream, guaranteeing minimum standards for wages and working conditions on the job, and promoting collective bargaining to allow employees to improve on those minimum standards.

It is important that the Labor Department continue to maintain this floor of protection for employees, but it is equally important that the Labor Department now use that floor as a foundation for erecting new structures to support Total Quality and Diversity. This will require that the Labor Department:

- **focus on finding ways to fully utilize employees' skills, as well as increase skill levels.** A higher skilled workforce is essential to improving productivity, but it is not sufficient by itself — a lot depends on whether the demand exists for higher skills. The Labor Department should actively promote Total Quality to both create the demand and provide the context for additional employee education and training.

- **establish benchmarks for skill levels and human resource development systems to define and motivate world-class performance by companies and individuals.** Since the skills of employees and the quality of the systems they work in are key determinants of competitive success, companies and individuals need to be able to define and measure these factors.

- **enable companies and individuals to achieve high levels of quality and performance through leadership and assistance to grass-roots efforts**. Because Total Quality relies on the initiative and involvement of employees and focuses on problems unique to individual companies or work sites, enabling strategies are needed to strengthen and expand existing efforts, promoting innovation and integration.

- **focus on preventing dislocation, rather than accepting dislocation as a natural byproduct of technological change**. By promoting Total Quality and Diversity, the Labor Department can develop employee "intrapreneurs" to grow the company from within, manage the introduction of new technologies, and prevent dislocation.

- **promote workforce diversity as a strategic asset, not just a fairness issue**. New policies and programs are needed that change outmoded systems and cultures by removing barriers to the full utilization of each individual's knowledge, skills, and creativity.

- **promote cooperative approaches to labor-management relations in nonunion, as well as union, settings**. While continuing to promote collective bargaining, new policies and programs are also needed that motivate and organize employee involvement in problem solving and decision making in both unionized and nonunionized workplaces.

TABLE 4:
To Promote Total Quality and Diversity, the Labor Department Needs to Pursue its Mission in New Ways

TRADITIONAL	TOTAL QUALITY
Focus on supply of skilled workers	Focus on both supply of and demand for higher skills
Establish floor of minimum employee protections	Establish world-class benchmarks for skill levels and human resource development systems
Regulate and enforce corporate behavior	Enable grass-roots modernization efforts by providing leadership and assistance
Respond after layoffs have already taken place	Prevent dislocation by developing and retaining employee "intrapreneurs"
Assimilate targeted groups into existing organizational systems and cultures	Remove barriers to the full utilization of each individual's unique knowledge, skills, perspective, and creativity
Promote collective bargaining	Promote employee involvement in problem solving and decision making in both union and nonunion workplaces

Next Steps

Throughout our work, we have delivered a series of recommendations to the Secretary of Labor (see Appendix C). The following recommendations propose next steps for continued movement along the path we have outlined.

Policy Leadership

The shift to Total Quality and Diversity in the workplace requires strong policy leadership from the Labor Department. In recent memory, the federal government has played a pivotal role in supporting national movements to expand civil rights, reform public education, promote adult literacy, and prevent the spread of AIDS. The Labor Department has an opportunity to expand and strengthen the movement to Total Quality and Diversity by serving as a champion for this national effort.

At the state and local level, Quality Councils are being established to promote Total Quality and to serve as the focal point for a network involving business, labor, government, and the education community. At the national level, there are many organizations committed to promoting quality principles, but there is no recognized focal point for their efforts.

In the Labor Department, the most visible leadership on this issue has come from the Bureau of Labor-Management Relations and Cooperative Programs. The Bureau was established in the early 1980s to focus on labor-management relations. Over time it established a strong connection between cooperative labor-management relations and Total Quality. For the past several years, the Bureau has been promoting Total Quality (or "High Performance Work") through conferences, speeches, and publications. At the end of September 1992, the Bureau was abolished after several years of declining support. The expertise that was formerly housed in the Bureau is now dispersed throughout the Labor Department.

The Labor Department's Glass Ceiling initiative has been successful in raising the consciousness of American industry on diversity issues. While the main focus of the Labor Department's past efforts has been on the regulation and enforcement of equal employment opportunity policies, the Glass Ceiling initiative

has broadened this focus, aligned the Department more closely with emerging trends in the workplace, and modeled a more proactive role in diversity issues. In conjunction with the Labor Department effort, Congress created the Glass Ceiling Commission in November 1991 to eliminate barriers to the advancement of women and minorities into management ranks, and to promote workforce diversity. By law, the Secretary of Labor serves as chair of the Commission and the Labor Department provides support for the Commission.

We recommend that the Labor Department:

- adopt the proposed policy statement (Figure 1), to be issued by the White House, in support of Total Quality and Managing Diversity as two critical components of productivity and competitiveness

- work closely with progressive and innovative voices in the business and labor communities to actively build support for Total Quality and Managing Diversity; any changes in the nation's labor laws should support, not impede, this effort

- continue the Glass Ceiling initiative to reinforce support for affirmative action as **one** tool to promote Managing Diversity in the workforce, while establishing a stronger link between Managing Diversity and Total Quality in this effort

- identify and remove legislative and regulatory roadblocks that impede the implementation of Total Quality and Managing Diversity

Leadership By Example

To be credible and effective in promoting Total Quality and Managing Diversity, the Labor Department must set an example through its own actions.

Under the joint labor-management Employee Involvement and Quality Improvement Project, a number of agencies within the Labor Department have initiated experiments in labor-management cooperation and employee involvement designed to improve operational effectiveness and the quality of worklife. The initiative has experienced steady growth, but has mainly been limited to organizational components within agencies and to field offices.

Figure 1

POLICY STATEMENT ON MANAGING DIVERSITY

Mission Statement: The mission of the United States is to maximize productivity and global competitiveness by valuing, fully utilizing, and continuously developing the knowledge, skills, perspectives, and creative contributions of a diverse workforce.

Definition: Diversity is defined as differences in gender, race, ethnicity, nationality, class, age, disability, job status, organizational level, or other aspect of social and cultural heritage.

Principles:

1. The United States has the most diverse population in the world
2. As a nation, we aspire to be a world leader in valuing the diversity of our people
3. Our diversity is a source of strength and a key to success in global competition
4. If the nation fails to achieve excellence in managing and working with diverse workgroups, it cannot succeed economically
5. Maximizing productivity and competitiveness requires integrating Diversity with Total Quality
6. The benefits of Diversity are not just the results of good intentions, but must be actively managed
7. Pluralism must replace assimilation in managing Diversity
8. Every individual has the capacity to learn, grow, and contribute
9. Government and public institutions must lead by example

In the diversity area, the Labor Department has initiated an internal Glass Ceiling audit to identify barriers to the advancement of women and minorities. In addition, last year the Secretary of Labor directed all Senior Executive Staff and Managers to participate in diversity training conducted by the Department of Labor Academy.

We recommend that the Labor Department:

- develop and adopt a new mission statement that articulates an increased emphasis on human resource development and workplace reform

- expand the Employee Involvement and Quality Improvement project to encompass the entire Labor Department workforce

- conduct an independent audit of the Labor Department to identify the main barriers to implementing Total Quality and Managing Diversity, and implement the audit recommendations

- expand required leadership training to include Total Quality and Managing Diversity

Skill Standards

With Labor Department assistance, industries should define and measure the skills needed to be internationally competitive.

In Total Quality systems, employees need to be multiskilled to perform a wide range of tasks. They also need to be able to analyze and solve problems, work together in groups, take initiative, assume responsibility, and value diversity. The Secretary's Commission on Achieving Necessary Skills (SCANS) has proposed a definition of the generic skills employees need to operate effectively in Total Quality systems. The Labor Department has also initiated a reexamination of the Dictionary of Occupational Titles to determine the best method of tracking changing occupations and skill requirements. In addition, a number of states and industry associations have launched efforts to develop skill standards for specific occupations or industries.

Working in partnership, the Departments of Labor and Education have set out to test the feasibility and design of voluntary, industry-based skill standards. In the spring of 1992, hearings conducted by this Commission, in partnership with the two federal

Departments, found overwhelming general support for moving forward. Organized labor expressed its desire that existing apprenticeship programs and collectively bargained training programs not be disrupted. Business expressed desire that the standards be set and maintained by industry groups, not by the federal government, and that they be applied primarily to entry-level jobs.

In October 1992, the two Departments launched 13 pilot projects with industry groups to begin the development of standards in their respective industries. To qualify for federal support, each pilot project is required to have active representation from appropriate business, labor, education, and community-based groups. Both Departments have committed funds for research and technical assistance to support the pilots. Additional pilot projects are planned for early in 1993.

As this initiative moves forward, we recommend that the Labor Department:

- work closely with the Congress and other key players to ensure that proposed legislation on skill standards supports, not preempts, the voluntary demonstration efforts now under way by providing a framework for continued voluntary industry participation

- fund new pilot projects only if and when industries voluntarily demonstrate their interest and ability to participate

- resolve outstanding issues that prevent the full participation of organized labor

- ensure that the skill standards that are developed support, not impede, the implementation of Total Quality and Managing Diversity

Benchmarks for Human Resource Development Systems

The Labor Department should help companies and other organizations implementing Total Quality and Managing Diversity to identify indicators that can be used to define and measure excellence in human resource development.

A critical component of Total Quality is the development of measurement systems to track

progress and highlight problem areas. Currently, most companies have few, if any, indicators to measure progress in human resource development.

The Malcolm Baldrige National Quality Award establishes quantifiable national standards for workplace quality. One of the seven categories is human resources. However, experts consider the human resources criteria to be the weakest part of the award. Currently, eight states have developed their own versions of the Baldrige award, and nineteen others are moving in that direction. In the federal sector, the Federal Quality Institute administers the TQM Quality Improvement Prototype Award to recognize federal agency efforts to implement Total Quality.

We recommend that the Labor Department:

- research and disseminate information on how best practice companies define and measure human resource development

- develop more comprehensive criteria, with a strong diversity component, that can be incorporated into existing and planned award programs to recognize excellence in corporate-wide human resource development systems

Incentives for Change

The Labor Department should create incentives for companies and unions to adopt Total Quality and Managing Diversity.

One form of incentive is the direct provision of technical assistance through state or industry networks. In most states, business assistance, technology diffusion, training, and labor-management relations functions proceed down separate tracks with their own distinct missions, institutional structures, and funding streams. However, a number of state-funded and nonprofit organizations have begun to integrate these functions to help small and mid-sized firms modernize their operations. Illinois' Prairie State 2000, Maryland's Department of Economic and Employment Development, university-based state productivity and quality centers, the Teaching Factories of the National Center for Manufacturing Sciences, and the community-college-based Advanced Technology Centers are representative of this trend.

State and local quality councils are another source of technical assistance. Usually, the product of collaboration among Total Quality companies and funded by member companies, these councils organize conferences, seminars, and other training opportunities for companies in their area to learn from each other about Total Quality.

Another form of incentive is the development of supplier networks among companies themselves. Following the successful example of Ford, Motorola, and Florida Power and Light, large companies are beginning to require that their suppliers implement Total Quality. Some companies also provide the necessary training and management expertise that supplier companies need to comply.

Finally, several states are experimenting with tax incentives to increase investments in training. Mississippi offers a tax credit to employers who provide literacy training to employees. In Iowa, companies can receive a tax credit for using the state's community college system to provide training assistance. The federal government has a long history of using tax policy to influence corporate behavior, such as spurring greater investment in research and development and motivating the hiring of disadvantaged individuals. Current tax policies, however, provide no incentive for companies to make the long-term investment in developing their human resources that is necessary to remain competitive.

At the federal level, most of the activity so far has been initiated by the Departments of Commerce and Defense. The Commerce Department funds several regional Manufacturing Technology Centers, designed to help companies modernize primarily through the diffusion of new technologies. The Defense Department has extensive technology diffusion efforts under way, focused mainly on defense contractors. Both have begun to integrate human resource development with their technology programs. In addition, the Defense Department requires all of its contractors to certify that they are implementing Total Quality.

The Labor Department has determined that it can add the most value by supporting and expanding existing efforts, rather than retailing assistance or services directly. To date, the Labor Department has supported the development of a human resource

needs assessment tool, testing methods, and training packages for use by Manufacturing Technology Centers and by state technology extension programs; worked with industry associations to develop training curricula to promote Total Quality; convened a network of large employers in the Northeast to develop a collaborative approach to training suppliers in Total Quality; and developed "train-the-trainer" sessions to assist community colleges in providing customized training in Total Quality to individual companies.

To further these efforts, we recommend that the Labor Department:

- work with the National Governors Association to expand and improve state efforts to integrate technology diffusion, training, diversity, and labor-management relations through Total Quality and Diversity

- benchmark best practices in large company efforts to leverage and assist suppliers in adopting Total Quality and Diversity and support industry efforts to spread these practices

- develop tax incentives to encourage corporate investment in employee skill development and workplace reform

Figure 2
RECOMMENDATIONS

Policy Leadership

- Adopt the proposed policy statement, to be issued by the White House, in support of Total Quality and Managing Diversity as two critical components of productivity and competitiveness
- Work closely with progressive and innovative voices in the business and labor communities to actively build support for Total Quality and Managing Diversity; any changes in the nation's labor laws should support, not impede, this effort
- Continue the Glass Ceiling initiative to reinforce support for affirmative action as one tool to promote Managing Diversity in the workforce, while establishing a stronger link between Managing Diversity and Total Quality in this effort
- Identify and remove legislative and regulatory roadblocks that impede the implementation of Total Quality and Managing Diversity

Leadership by Example

- Develop and adopt a new mission statement that articulates an increased emphasis on human resource development and workplace reform
- Expand the Employee Involvement and Quality Improvement project to encompass the entire Labor Department workforce
- Conduct an independent audit of the Labor Department to identify the main barriers to implementing Total Quality and Managing Diversity, and implement the audit recommendations
- Expand required leadership training to include Total Quality and Managing Diversity

Skill Standards

- Work closely with Congress and other key players to ensure that proposed legislation on skill standards supports not preempts, the voluntary demonstration efforts now underway by providing a framework for continued voluntary industry participation
- Fund new pilot projects only if and when industries voluntarily demonstrate their interest and ability to participate
- Resolve outstanding issues that prevent the full participation of organized labor
- Ensure that the skill standard that are developed support, not impede, the implementation of Total Quality and Managing Diversity

Benchmarks for Human Resource Development Systems

- Research and disseminate information on how best practice companies define and measure human resource development systems.
- Develop more comprehensive criteria, with a strong diversity component, that can be incorporated into existing and planned award programs to recognize excellence in corporate-wide human resource development systems

Incentives for Change

- Work with the National Governors Association to expand and improve state efforts to integrate technology diffusion training, diversity, and labor-management relations through Quality and Diversity
- Benchmark best practices in large common efforts to leverage and assist suppliers in adopting Total Quality and Diversity and support industry efforts to spread these practices
- Develop tax incentives to encourage corporate investment in employee skill development and workplace reform

APPENDICES

APPENDIX A
NATIONAL ADVISORY COMMISSION ON WORK-BASED LEARNING
Members

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Chairman (Retired)
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President
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Marvin J. Boede
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APPENDIX B
ACKNOWLEDGEMENTS

We want to express our appreciation to the Commission staff, to those who made presentations to the Commission, to those who attended and contributed to roundtable meetings, experts who attended our meetings or reviewed our materials, and to the businesses and organizations that participated in our site visits. In addition, we acknowledge the contributions of Delbert Spurlock, Deputy Secretary; Roberts T. Jones, Assistant Secretary of the Employment and Training Administration; and James D. Van Erden, Administrator, Office of Work-Based Learning, within the U.S. Department of Labor.

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APPENDIX C
PREVIOUS RECOMMENDATIONS

September 1991

Our first set of recommendations identified six strategic areas in which the Labor Department could enhance national competitiveness:

- Developing a National Framework of Skill Standards and Certification
- Integrating Human Resources Development and the Introduction of New Technology
- Promoting Labor-Management Cooperative Efforts to Implement Work-Based Learning
- Developing New Human Resource Accounting Models that Promote Investment in People
- Managing Cultural Diversity as a Corporate Strategic Asset
- Developing a National Award for Quality Human Resource Management Systems

April 1992

Our second set of recommendations identified specific actions the Labor Department could take to move forward in each of the strategic areas:

Skill Standards and Certification

To make continued progress, we recommend that the Labor Department:

- expand the working group by approximately 20 people to gain access to a broader range of expertise and support, especially from education
- merge its pilot projects with nearly identical projects being conducted by the Department of Education by using the same criteria for awarding grants, conducting an open competition, and where appropriate, involving members of the working group in the selection of grant recipients (If this cannot be accomplished, we propose that the two federal departments use similar criteria and form a joint panel for the selection of grantees.)
- adopt the Commission's proposed key characteristics of successful pilot projects and criteria for selection of pilot project grant applicants

Integrating Technology and Human Resources

The Department of Labor, in partnership with the Departments of Commerce and Defense, should:

- expand on the work of the National Association of Manufacturers to solicit input from small and mid-sized firms on their needs and where the federal government can add the most value to what other organizations are already doing
- explore joint action with the Department of Defense on their Manufacturing Technology Program
- convene a meeting of officials from states already attempting to integrate economic development, technology diffusion, and human resource development efforts to learn what works and how the lessons can be spread to other states
- convene a meeting of corporate executives to explore how large companies can help small and mid-sized suppliers modernize through cooperative partnerships
- explore how to support industry association efforts to help members modernize

Labor-Management Cooperation

Building on the current activities being performed by BLMRCP, the Department should:

- initiate research on the scope and effectiveness of current labor-management relations strategies and structures, including joint labor-management committees in nonunion companies that promote employee involvement in such issues as health and safety and training
- develop pilot projects to determine what obstacles companies and unions face in implementing alternative labor-management relations strategies, what assistance they require, and what role government can play to facilitate the change process
- identify existing networks that currently provide labor-management relations information and assistance
- examine existing public policies affecting labor-management relations to identify obstacles to promoting better labor-management relations and effective employee involvement in problem solving and decision making

Human Resource Accounting

Based on the feedback from experts in this area, the Commission recommends that the Labor Department:

- table efforts to change current accounting standards
- initiate research to define the indicators that motivate and measure human resource development within companies
- identify and develop other enabling tools to stimulate industry investment in human resource development
- research the feasibility adding a workforce education and training incentive tax credit to the U.S. Master Tax Guide

Managing Diversity

Together with the Commission on Work-Based Learning, Labor Department officials with responsibility for diversity issues should:

- receive "basic training" in new strategies to promote human resource development (We recommend working with Dr. Jeff Howard of the Efficacy Institute in Lexington, MA, one of the most effective trainers on this issue.)
- participate in a roundtable discussion with national experts on promoting diversity as a corporate strategic asset to be held July 1-2, 1992

Human Resources Development Award

To move forward, we propose that the Labor Department:

- convene a meeting of national experts on human resource development to identify the criteria and measurement systems for a national award
- meet with individuals involved in the establishment and administration of the Baldrige Award to design an application and selection process that will lend prestige to the award
- create a dedicated group within the Labor Department to administer the award process

July 1992

A third set of recommendations flowed from a roundtable of national experts on diversity.

Managing Diversity

We recommend that the Labor Department:

- develop a national policy statement to be issued by the White House in support of diversity as a major component of productivity and competitiveness, clearly illustrating the paradigm shift to Total Quality, making a business case to support it, and establishing that Diversity and Total Quality are the two key pieces of the global competitiveness puzzle.
- lead by example by
  a. encouraging Labor Department management staff to attend the Defense Equal Opportunity Management Institute (DEOMI). Since its inception in 1971, DEOMI has trained all of the top leadership of the US Armed Forces, both active duty and reserve. The Institute's purpose is to maximize unit cohesion, maintaining combat readiness by fostering positive human relations throughout a diverse armed service.
  b. undergo an independent audit addressing Total Quality and Diversity, and implement the audit recommendations
  c. require all federal contractors to be participating Total Quality companies with a fully integrated diversity component to qualify for government contracts
- serve its clients by
  a. encouraging the development of state efforts to promote Total Quality and Diversity
  b. developing a network to identify information resources for companies
  c. providing monetary matching incentive grants to states to promote Total Quality and Diversity
- develop diversity criteria for a Human Resource Development Award

- conduct a public awareness campaign on the importance of valuing Diversity through the Glass Ceiling Commission and the National Advisory Commission on Work-Based Learning

Labor-Management Cooperation

We recommend that the Labor Department:

- establish a new organizational unit to continue the labor-management relations functions previously performed by the Bureau of Labor-Management Relations and Cooperative Programs

APPENDIX D

ADVISORY COMMITTEE CHARTER

The Commission's official designation

The National Advisory Commission on Work-Based Learning

The Commission's objectives and the scope of its activity

Primary objective: To advise the Secretary on ways to increase the skill levels of the American work force and expand access to work-based training.

Secondary objective: To explore the feasibility of developing a voluntary system for accrediting such training, based on standards developed jointly with industry and allowing employees who complete such training to obtain credentials certifying skill competency.

Scope of activity: The Commission will have broad, long-term responsibility for advising the Secretary on a range of issues relating to training and retraining of the American workforce, including the design of a plan for accrediting training programs developed by business and for providing credentials for skilled trainees. This will include involvement in efforts to: develop the skills of employees already in the workplace to enhance their employability as jobs become increasingly complex, to promote the smooth transition of secondary students into career-ladder jobs in growing sectors of the economy, and to retrain dislocated and other adult workers.

The period of time necessary for the Committee to carry out its purposes

A period of two years, with likely extension after that period.

The Agency and/or official to whom the Committee reports

The Committee shall report to the Secretary of Labor and the Assistant Secretary for Employment and Training.

The Department's Agency responsible for providing the necessary support for the Committee

Employment and Training Administration, Office of Work-Based Learning.

The Committee membership

The Advisory Commission shall consist of approximately 15-18 members, with representation from business, labor, and education.

The membership shall involve executive level representatives, including nine Chief Executive Officers of corporations, and six representatives from education, organized labor, and related public interest/association groups. The Commission may establish subcommittees from among its members as necessary.

A description of duties for which the Commission is responsible

Specific duties of the Commission and its members might include, but are not limited to, the following:

- advising the Secretary on ways to expand access to work-based learning and to increase the skill levels of the existing work force;
- proposing alternative methods for developing a voluntary system, with industry groups, for accrediting work-based learning programs, establishing standards for various occupational competency levels, and allowing employees who complete such training to obtain portable credentials certifying skill competency;
- promoting the activities of and issues addressed by the Commission (e.g., work-based learning, reorganization of work structures) among other leaders in the education, business, and labor communities;
- proposing opportunities for adoption of structured work-based training models in new areas and industries;
- assisting in the development of agreements between educational providers and businesses which formalize relationships to facilitate the transition from school to work for non-college bound youth;
- recommending solutions to issues which arise on the implementation of the Secretary's workforce quality agenda;
- suggesting ways to more effectively involve private sector organizations in workforce quality initiatives;
- advising on the incentives necessary to encourage training and the development of new ways of organizing work that may accompany or be required by increased training;

- advising on options for State and local administrative support structures and work-based learning delivery systems;

- advising on legislative options and proposals on issues regarding workforce training; and

- advising on the formulation of national policy regarding human resource development.

The estimated annual operating costs in dollars and staff-years for such Committee

The estimated annual operating cost in FY 1991 is $428,400. This amount is based on using one full-time staff director and two full-time support staff (possibly current Federal employees) and hiring three contract staff to provide staff support, for a total of approximately 6.0 FTE employees. Committee members and contract staff will be compensated for their travel costs.

The estimated number and frequency of Committee meetings

The Commission is expected to meet approximately eight times at quarterly intervals during the two-year period. In addition, the Commission or its subcommittees may meet to visit demonstration sites, to conduct field hearings, or for related purposes.

The Committee's termination date

Two years from the date of this charter, unless the Committee is reauthorized prior to charter expiration.

Filing date

This charter is filed on the date indicated below.

Acting Secretary of Labor

January 11, 1991
Date

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